



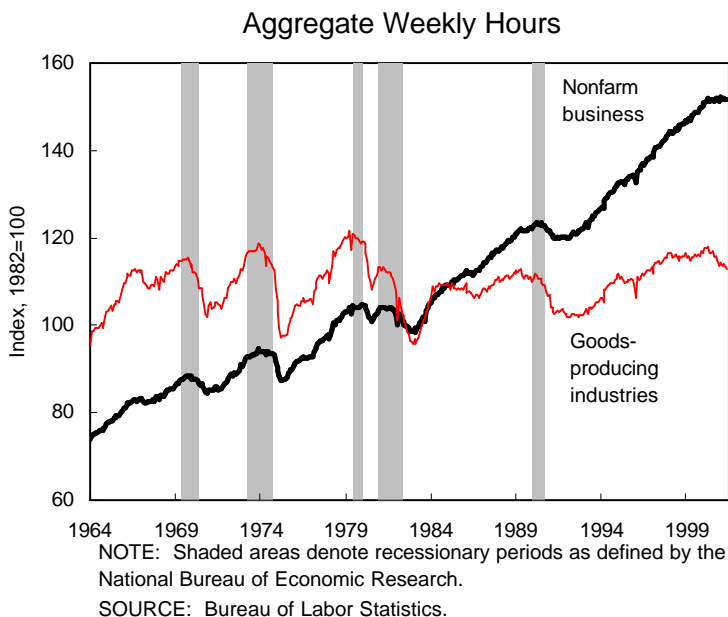
WEEKLY ECONOMIC DIGEST

JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF
SENATOR JACK REED—RANKING MEMBER



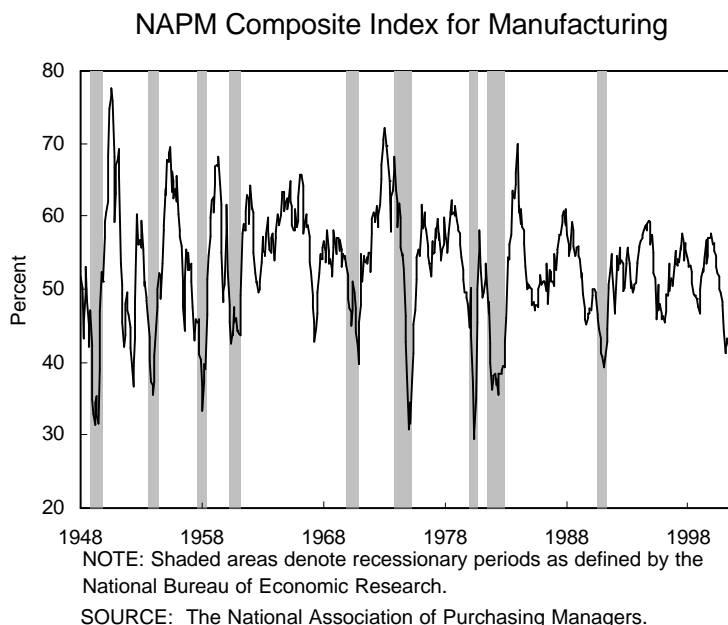
June 5, 2001

Decline in Factory Jobs Darkens May Employment Picture



- ***The unemployment rate fell slightly.*** After rising half a percentage point over the first four months of the year, the civilian unemployment rate slipped 0.1 percentage point in May. That slight drop stemmed from a decline in the labor force rather than an increase in employment. The civilian labor force shrank by about 485,000 in May, reflecting a sizeable (though probably temporary) decline of 1.5 percentage points in the participation rate for teens.

- ***Payrolls declined a bit.*** Payrolls of nonfarm establishments declined by about 19,000 jobs in May, following April's plunge of 182,000 jobs. Hours worked in nonfarm businesses were little changed in May, following a sharp decline in April, suggesting that growth of real gross domestic product in the current quarter may be exceptionally slow.



- ***Goods-producing industries are still cutting back on their payrolls.*** Aggregate weekly hours worked in goods-producing establishments dropped to their lowest level in four years last month. Manufacturers shed about 124,000 jobs in May, bringing the cumulative job loss in manufacturing to 670,000 jobs since last July.

- ***Survey indicates continued weakness in manufacturing.*** The NAPM composite index for manufacturing unexpectedly declined in May, signaling a further deterioration in the outlook for factory activity. The index reflects the degree to which the survey respondents are optimistic about various aspects of the manufacturing outlook, and its current low level is comparable with those that prevailed during previous recessionary periods.

ECONOMY AT A GLANCE	May	Apr	Mar	Feb	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000 Qtr 2	2000	1999
Economic Activity										
Real GDP (% growth)					1.3	1.0	2.2	5.6	5.0	4.2
Industrial Production (% growth)		-3.5	-1.2	-4.7	-6.5	-0.9	3.5	7.9	5.6	4.2
Capacity Utilization(Level, %)		78.5	78.9	79.2	79.3	81.3	82.4	82.6	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.4	4.5	4.3	4.2	4.2	4.0	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1609	1586	1623	1625	1539	1505	1586	1575	1647
Real Disposable Personal Income (% growth)		.8	5.7	3.3	2.3	0.7	2.6	3.7	2.8	3.2
Retail Sales (% growth)		10.2	-4.3	-2.5	3.9	0.4	5.5	1.7	7.7	9.1
Personal Saving Rate (Level, %)		-7	-6	-8	-9	-0.7	-0.2	0.3	-0.1	2.2
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		3.7	1.2	3.7	4.1	2.9	3.5	3.0	3.4	2.2
Core CPI-U Inflation (% growth)		2.4	2.4	3.7	3.2	2.4	2.5	2.7	2.4	2.1
Compensation per Hour (% growth)					4.6	3.5	3.8	4.2	4.3	3.2
Output per Hour (% growth)					-.1*	2.0	3.0	6.3	4.3	2.6
Financial Markets										
T-Bill Rate, 3-month (Level, %)	3.6	3.9	4.4	4.9	4.8	6.0	6.0	5.7	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.4	5.1	4.9	5.1	5.1	5.6	5.9	6.2	6.0	5.6
Federal Funds Rate (Level, %)	4.2	4.8	5.3	5.5	5.6	6.5	6.5	6.3	6.2	5.0
Dow Jones Industrial Avg (Index Level)	11105	10235	10081	10775	10513	10586	10882	10703	10735	10465
<p>SOURCES: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.</p> <p>NOTES: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.</p> <p>* Subject to revision this week.</p>										

Major Economic News Due This Week:

- Vehicle Sales, May [Release: Tuesday, June 5, 2001]
- Productivity & Costs, First Quarter 2001 [Release: Tuesday, June 5, 2001]
- Wholesale Trade for April and Chain-Store Sales for May [Release: Thursday, June 7, 2001]